

BUDGET LETTER

	NUMBER: 08-33
SUBJECT: INTERIM LOANS FOR GENERAL OBLIGATION AND LEASE REVENUE BOND PROJECTS	DATE ISSUED: December 18, 2009
REFERENCES:	SUPERSEDES:

TO: Secretary of State
State Controller
State Treasurer
Superintendent of Public Instruction
Administrative Office of the Courts
Agency Secretaries
Office of the President, University of California
Chancellor's Office, California State University
Board of Governors, California Community Colleges

Department Directors
All GO Bond Financing Committees
California Institute for Regenerative Medicine
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward this Budget Letter (BL) to their Department Facilities, Construction, and Contract Managers.

The Pooled Money Investment Board (PMIB) voted yesterday to freeze all disbursements from AB 55 loans (Pooled Money Investment Account (PMIA) loans) with the exception of accrued interest and necessary administrative costs. The PMIB took this action to preserve necessary cash resources to pay the day-to-day operational needs of the state for the balance of the fiscal year pending further PMIB action in January. If loan disbursements continue at the current pace, the state's portion of the PMIA is projected to run out of liquid cash before the end of the current fiscal year (cash held in the Local Agency Investment Fund will remain). No future loans or higher amount of loan renewals will be approved until the budget crisis is resolved in a manner sufficient to allow the state to resume issuing bonds.

AGENCY LIABILITY

Please be advised that any expenditure not in compliance with this BL could result in your department's or agency's operating budget being obligated to pay that expenditure.

PROJECT SUSPENSION AND FREEZES

Effective immediately, all state entities that have expenditure control and oversight of General Obligation and lease revenue bond programs shall:

1. Cease authorizing any new grants or obligations for bond projects, including new phases for existing projects.
2. Suspend all projects, excluding those for which Department of Finance (DOF) authorizes an exemption based on criteria described unless the contracting entity can continue with non-state funding sources (private, local, or federal funds).

3. Freeze all disbursements on AB 55 loans that were not authorized nor submitted to the Controller for payment prior to December 17, 2008.
4. Instruct all grant or loan recipients not to enter into any new construction, other agreements or contracts that would be funded from AB 55 loans.

State entities are not permitted to substitute cash in special funds for previously approved AB 55 loans. Utilizing cash in other state special funds that are in the PMIA would not comply with the PMIB's actions taken yesterday.

EXEMPTIONS

Immediately report to your DOF Program Budget Manager any project, which if suspended, will subject the state to unacceptable legal liability, fines or penalties. Such projects will be reviewed on a case-by-case basis to determine if continued funding is appropriate or feasible.

In the next few days, additional project information and status will be required so that the PMIB may determine what additional expenditures will be authorized to comply with its direction that all future AB 55 disbursements not exceed \$500 million through June 2009.

Additional information and direction will be forthcoming.

/s/ Michael C. Genest

MICHAEL C. GENEST
Director